



# Downing ONE VCT plc

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Securities Note

Downing



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Offer Statistics	
Net proceeds of the Offer, if fully subscribed and ignoring the over-allotment facility	£10,000,000
Minimum investment	£5,000
Maximum investment on which tax reliefs are available (per tax year)	£200,000
Maximum number of Ordinary Shares in issue following the Offer**	approximately 85,169,170
Offer opens	12 December 2014
Offer closes for 2014/15 tax year*	3.00pm on 2 April 2015
Offer closes for 2015/16 tax year*	3.00pm on 30 April 2015
* unless fully subscribed earlier or extended (to no later than 30 November 2015).	
** assuming the Offer becomes fully subscribed (ignoring the over-allotment facility) with all subscriptions having a gross Promoter's Fee of 4.0%.	

**Early Applications**

Investors who submit valid Application Forms that are received and accepted by 3.00 p.m. on 28 January 2015 will benefit from the offer costs being reduced by 1.5% of the amount subscribed under the Offer.

Investors who submit valid Application Forms that are received and accepted by 3.00 p.m. on 6 March 2015 will benefit from the offer costs being reduced by 1% of the amount subscribed under the Offer.

These reduced offer costs will be met by Downing through an equivalent reduction in its Promoter's Fee.

Applications received and accepted by 28 January 2015 will also be eligible for the dividend of 2p per share that has been declared by the Company and will be paid on 20 February 2015.

This document constitutes a securities note dated 12 December 2014 (the “**Securities Note**”) issued by Downing ONE VCT plc (the “**Company**”), prepared in accordance with the Prospectus Rules made under Section 84 of the Financial Services and Markets Act 2000 (“**FSMA**”) and has been approved by the Financial Conduct Authority (“**FCA**”) in accordance with FSMA.

Additional information relating to the Company is contained in a registration document issued by the Company dated 12 December 2014 (the “**Registration Document**”). A brief summary written in non-technical language and conveying the essential characteristics and risks associated with the Company and the Ordinary Shares of one penny each in the capital of the Company (the “**Offer Shares**”) which are being offered for subscription (the “**Offer**”) is contained in a summary issued by the Company dated 12 December 2014 herewith (the “**Summary**”). The Summary, this Securities Note and the Registration Document together comprise a prospectus (the “**Prospectus**”) which has been filed with the FCA in accordance with the Prospectus Rules and you are advised to read the Prospectus in full. The Company and the Directors (whose names are set out on page 5) accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

## **DOWNING ONE VCT PLC**

(registered in England and Wales with registered number 03150868)

Offer for Subscription  
for the 2014/15 and 2015/16 tax years  
of up to £10 million  
(being approximately 10,157,440 Ordinary Shares in the capital of the Company)

**Sponsor**

SPARK Advisory Partners Limited

**Promoter**

Downing LLP

The existing Shares issued by the Company are listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange’s market for listed securities. Application will be made to the UK Listing Authority for all of the Offer Shares to be issued pursuant to the Offer to be listed on the Official List and will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on its main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the Offer Shares will commence three Business Days following allotment. The Offer Shares will rank *pari passu* with existing issued Ordinary Shares from the date of issue. The Offer will only proceed subject to the passing of the relevant resolutions to be proposed at the General Meeting to be held on 8 January 2015.

SPARK Advisory Partners Limited (“**SPARK**”), which is authorised and regulated in the UK by the FCA, is acting as sponsor for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of SPARK or for providing advice (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder).

In connection with the Offer, Downing LLP (“**Downing**”), the promoter of the Offer and investment adviser to the Company, is acting for the Company and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Downing or for providing advice in relation to the Offer (subject to those responsibilities and liabilities arising under FSMA and the regulatory regime established thereunder). Downing is authorised and regulated in the UK by the FCA.

Copies of this document, the Summary and the Registration Document are available (and any supplementary prospectus published by the Company will be available) free of charge from the offices of Downing, at Ergon House, Horseferry Road, London SW1P 2AL and at the Downing website at [www.downing.co.uk](http://www.downing.co.uk) and from the offices of SPARK, the Company’s sponsor, at 5 St John’s Lane, London EC1M 4BH.

**Your attention is drawn to the risk factors set out on page 1 of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might arise. If you are in doubt as to the action you should take, you should consult an independent financial intermediary authorised under FSMA.**

## Risk Factors

The Company's business, financial condition or results could be materially and adversely affected by any of the risks described below, in no particular order of priority. The market price of the Offer Shares may decline as a result of any of these risks and Investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company. The Directors consider the following to be all the material risks for potential Investors in the Company:

- The Company's existing portfolio of investments, to which Investors will receive exposure, are generally mature in nature and consequently may have a less rapid growth profile than successful earlier stage investments.
- Although it is intended that the Company will be managed so as to continue qualifying as a VCT, there is no guarantee that such status will be maintained. Failure to do so could result in adverse tax consequences for Investors, including being required to repay the 30% VCT income tax relief.
- The levels and bases of reliefs from taxation may change and changes could apply retrospectively. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of Investors. The Company's objectives have been set on the basis that all Investors obtain 30% VCT income tax relief on their subscriptions. Therefore, this investment may not be suitable for Investors who do not qualify for the full 30% VCT income tax relief.
- Although the Offer Shares will be Listed, it is highly unlikely that a liquid market in the Offer Shares will develop as the initial VCT income tax relief is only available to those subscribing for new shares and there may never be two competitive market makers. It may, therefore, prove difficult for Shareholders to sell their Offer Shares. In addition, there is no guarantee that the market price of the Offer Shares will fully reflect their underlying Net Asset Value or the ability to buy and sell at that price. It should be noted that shares held in VCTs usually trade at a discount to the VCT's net asset value.
- Shareholders should be aware that the sale of Offer Shares within five years of their subscription will require the repayment of some or all of the 30% income tax relief obtained upon investment. Accordingly, an investment in the Company is not suitable as a short or medium term investment.
- Shareholders should note that if they have sold, or if they sell, any shares in Downing ONE VCT within six months either side of the subscription for the Offer shares, then for the purposes of calculating tax relief on the Offer shares the subscribed amount must be reduced by the amount received from the sale. This restriction applies in relation to claims to tax relief on shares issued after 5 April 2014, following changes introduced in Finance Act 2014.
- Many of the Company's investments are in companies whose securities are not publicly traded or freely marketable and may, therefore, be difficult to realise.
- In order to comply with VCT legislation, the Qualifying Companies, in which the Company holds over 70% of its capital, are generally small companies that have a higher risk profile than larger companies and may not produce the hoped for returns. Accordingly, Investors could get back less than the amount they invested.
- As is to be expected from a diverse portfolio, some investments are not performing to plan and it may ultimately be difficult to realise full, or any, value from such investments.
- The valuation of AIM-quoted investments may be influenced by the general performance of the AIM market, in addition to the performance of the underlying companies.
- The Company's ability to obtain maximum value from its investments (for example, through their sale) may be limited by the requirements of the relevant VCT legislation in order to maintain the VCT status of the Company (such as the obligation to have at least 70% by value of its investments in Qualifying Investments).
- The past performance of the Investment Adviser or investments made by the Downing VCTs should not be regarded as an indication of the performance of investments to be made by the Company.
- Changes in legislation in respect of VCTs and Qualifying Investments in general and, in particular, qualifying trades may restrict or adversely affect the ability of the Company to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.
- The value of Offer Shares is dependent on the performance of the Company's underlying investments. The value of the investments and the dividend stream can rise and fall. In particular, the Board's objective of paying an annual dividend equal to at least 4% of the Company's Net Assets may not be achieved and any dividend payments will reduce the Net Assets attributable to the Offer Shares.
- The Offer Shares are being issued at a price, calculated by a formula, based on the latest published Net Asset Value of the Company's existing Shares which on 30 November 2014 was 94.5p per Share (after deducting the dividend of 2p per share payable on 20 February 2015). Investors should be aware that if revised NAVs are published during the course of the Offer, Investors may receive a different allocation of Offer Shares from that anticipated.
- The Finance Act 2014 amends the VCT rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks.



## Letter from the Chairman of the Company



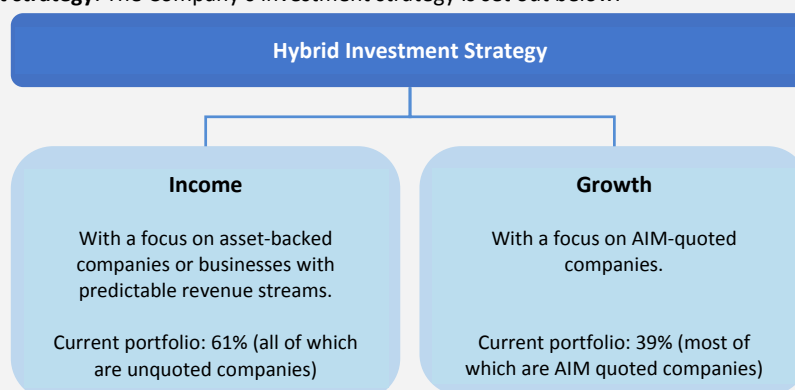
**Downing ONE VCT plc**  
Ergon House, Horseferry Road  
London SW1P 2AL

12 December 2014

Dear Investor

Downing ONE was created by a merger of six VCTs managed by Downing LLP in November 2013. The Company is now one of the largest and most diversified VCTs in the UK with net assets of approximately £73 million. I am pleased to introduce this new offer to invest in the Ordinary Shares of the Company. The key points of the Offer are set out below:

- **30% income tax relief:** will be available on the value of the Offer Shares subscribed for, providing they are held for at least five years and you have not sold any shares in the Company six months either side of the issue of the new shares. Capital gains on VCT shares are tax-free.
- **Tax-free dividends:** the Company's target dividend equates to a tax-free yield of 5.7% p.a. on the current offer price net of 30% income tax relief. It should be noted that there is no guarantee of dividend levels.
- **Benefits of a large VCT:**
  - (i) **Lower running costs** – the Company's annual running costs are capped at 2.75% of net assets, and
  - (ii) **Greater diversification** – the Company holds investments in over 100 businesses. Investors will acquire an immediate exposure to these holdings, which should diversify risk and provide the potential for earlier realisations than some newly launched VCTs.
- **Strength of the Investment Adviser:** Downing is an experienced VCT manager, and its business dates back to 1986. It is responsible for the management of 11 VCTs with net assets of over £200 million.
- **Investment strategy:** The Company's investment strategy is set out below.



- **Share buyback policy:** the Company's policy is to buy back its own Shares in the market at a **discount of 5%** to its latest published Net Asset Value, subject to liquidity and applicable rules and regulations.

If you wish to invest, please read the Prospectus and complete the Application Form set out at the end of this document. If Investors have any questions regarding this investment they should contact their financial intermediary. For questions relating to an application, please telephone Downing on 020 7416 7780. Investors should note that no investment advice can be given by Downing and their attention is drawn to the risk factors set out on page 1 of this document.

Yours sincerely

A handwritten signature in black ink, appearing to read "Chris Kay".

**Chris Kay**  
Chairman

# Part I – The Offer

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## The Investment Opportunity

Downing ONE was created by the merger of six VCTs managed by Downing in November 2013 and is a large VCT with net assets of approximately £73 million and an existing portfolio of approximately 100 investments. The Company's five strong Board of Directors has a considerable number of years of experience in private equity and venture capital.

The Directors believe that the Company would benefit from the availability of further funds to take advantage of new investment opportunities and provide support for existing portfolio companies. Bank lending to SME companies still remains constrained and with the UK economy now improved, the Directors believe that this is potentially an opportune time for VCT investment.

Larger VCTs, like the Company, benefit from a number of advantages over those with smaller net assets as set out below.

**1. Lower running costs**

The annual running costs for the shareholders of a large VCT are usually lower as the VCT's fixed costs are spread over a larger asset base. Additionally, the Company's annual running costs are capped at 2.75% of net assets, above which Downing LLP will bear any further costs. This is one of the lowest caps in the VCT sector.

**2. Greater diversification**

Following the merger, the portfolio covers a wide range of sectors and approximately 100 companies. Currently, no single investment accounts for more than 6% of the portfolio (by value). Individual investments or sectors which underperform will therefore have a less detrimental effect on the net asset position of the Company than would be the case in a smaller and less diversified VCT.

**3. Increased liquidity**

Shareholders may, from time to time, wish to sell some of their shares to assist with personal financial and estate planning. It is the Company's intention to offer regular share buybacks at a discount of 5% to the most recently announced net asset value.

## Reasons for the Offer

The Offer has been designed for Investors seeking a hybrid portfolio of unquoted and quoted investments, whilst taking advantage of the VCT tax reliefs. The Offer will also allow the running costs for all Shareholders to be spread over a larger asset base. The Company is seeking to raise additional net proceeds of £10 million under the Offer, together with an over-allotment facility of a further £10 million.

## Income

The Board has a stated objective of paying an annual dividend of at least 4% per annum based on its NAV, subject to the availability of sufficient distributable profits, capital resources and compliance with the VCT regulations. This equates to a tax-free yield of 5.7% p.a. on the current offer price net of 30% income tax relief. Dividends are expected to be paid twice each year in February and August. The next dividend of 2p per Share will be paid on 20 February 2015 to Shareholders on the register at 30 January 2015.

## Taxation Benefits to Investors (see Part III for further details)

The principal VCT tax reliefs, which are available on a maximum investment of £200,000 per individual in each of the 2014/15 and 2015/16 tax years, are set out below:

- **Income tax relief at 30%** of the amount subscribed provided the VCT shares are held for at least five years provided the Investor has not sold any shares in the Company six months either side of the issue of the new shares. Relief is restricted to the amount which reduces the Investor's income tax liability to nil.
- **Tax-free dividends and capital distributions** from a VCT.
- **Capital gains tax exemption** on any gains arising on the disposal of VCT shares.

The table below shows the effect of the initial 30% income tax relief (based on a notional investment of £10,000):

Effect of initial 30% VCT income tax relief	
<b>Cost of investment</b>	<b>£</b>
Gross subscription by Investor	10,000
30% VCT income tax relief	(3,000)
Net of tax cost of investment	<b>7,000</b>
<b>Initial value of investment</b>	
Gross subscription by Investor	10,000
Assumed issue costs of 4.0%	(400)
Initial Net Asset Value	<b>9,600</b>
<b>Initial "uplift" (pounds)</b>	<b>+2,600</b>
<b>Initial "uplift" (%)</b>	<b>+37.14%</b>
The above table shows that, based on an illustrative investment of £10,000 and income tax relief at 30%, an Investor's net of tax cost of investment is £7,000 and the net assets initially attributable to the investment are £9,600, an "uplift" of £2,600 or +37.14%. The table ignores the effect of Adviser Charges paid or early application discounts received. Investors should note that they are required to hold the Shares for at least five years in order to retain the full amount of income tax relief and, as such, this initial uplift cannot be immediately realised.	

This is only a very brief summary of the UK tax position of investors in VCTs, based on the Company's understanding of current law and practice. Further details are set out in Part III of this document. Potential Investors are recommended to consult their own appropriate professional advisers as to the taxation consequences of their investing in a VCT. In addition, the availability of tax reliefs depends on the Company maintaining its VCT qualifying status.

## Investment Objective and Policy

The investment objective of the Company is to provide private investors with attractive returns from a portfolio of investments focused on unquoted and AIM-quoted companies.

The Company's Investment Policy is as follows:

### Asset allocation

The Company will seek to maintain a minimum of 70% of its funds invested in VCT qualifying investments, with the balance held in non-qualifying investments. New funds raised will initially be held in non-qualifying investments and will gradually be invested in VCT qualifying investments over a two to three year period.

### VCT qualifying investments

The Company seeks to hold a portfolio of VCT qualifying investments as follows:

Investment type	Target	Maximum	Target IRR
Growth	25%-50%	100%	15%
Income focused	50%-75%	100%	10%

**Growth investments** will be in companies with prospects for high capital growth, reflecting higher risk, predominantly focusing on:

- companies already quoted on AIM, or the ISDX Growth market, or being admitted to AIM or the ISDX Growth market; and
- investments in unquoted companies where there are reasonable prospects of a trade sale or clear exit strategy over a five to seven year time horizon and the prospects of a reasonable level of capital growth. This will include MBO and development capital transactions, where there may be external leverage, or the purchase of freehold assets from insolvency administrators. Start-ups will not generally be considered although the fund may consider investments in early stage companies (up to a maximum, in aggregate, of 5% of the fund) offering higher risk and higher potential returns.

**Income focused investments** will generally be in unquoted businesses (although this may include some quoted businesses), with a preference for companies which own substantial assets such as children's nurseries, health clubs, pubs, conference centres, retail outlets, logistics facilities, or have predictable revenue streams. These investments are likely to be structured such that they comprise significant levels of secured loan stock and/or preference shares, equating to no more than 70%-95% of the value of each business's assets. New investments will usually have limited or no external third party debt.

Some investments may exhibit features of both of the above categories.

#### *Non-qualifying investments*

The funds not employed in VCT qualifying investments (20% to 30% of total funds) may be invested in a variety of investments which may include:

- **Fixed income securities** consisting of bonds issued by the UK Government, major companies and institutions, liquidity funds, fixed deposits, structured products with some level of capital protection and/or designed to deliver a fixed return or similar securities and will have counterparty credit ratings of not less than A minus (Standard & Poor's rated)/A3 (Moody's rated),
- **Non-qualifying quoted investments** which will typically be in quoted companies where the holdings can be traded and in companies in which the Investment Adviser has detailed knowledge as a result of VCT qualifying investments made previously,
- **Pooled funds** including those typically invested in equities, bonds and property,
- **Secured loans** which will be secured on assets held by the borrower, and
- **Non-qualifying unquoted investments** which will generally not exceed 5% of the overall fund.

The allocation between asset types in the non-qualifying portfolio will vary depending upon opportunities that arise, with any one asset class having a maximum exposure of 100% of the non-qualifying portfolio.

#### *Risk diversification*

The Directors will control the overall risk of the Company. The Investment Adviser will ensure the Company has exposure to a diversified range of VCT qualifying investments from different sectors and generally no more than 15% of the Company's funds in any one company or any one issue of fixed income securities (except UK Government gilts or deposit accounts with UK clearing banks).

#### *Borrowing policy*

It is not the Company's intention to have any borrowings. The Company does, however, have the ability to borrow a sum equal to no more than 10% of the aggregate of the nominal capital of the Company (being issued and paid up) plus the amounts standing to the credit of the consolidated reserves of the Company. The maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £7.5 million. There are no plans to utilise this ability at the current time.

## Share Buyback Policy

The Company's policy is to ensure that there is liquidity in its Shares and, accordingly, it intends to pursue an active discount management policy. The Company will seek to buy back in the market those Shares which Shareholders wish to sell, at a discount of 5% to the latest published Net Asset Value, subject to applicable regulations, market conditions at the time and the Company having both the necessary funds and distributable reserves available for the purpose. This buyback policy aims to provide some liquidity and limit the discount to Net Asset Value at which Shares trade. The making and timing of any share buybacks will remain at the absolute discretion of the Board.

Under the current Listing Rules, the price paid for the Shares cannot be more than the higher of: (i) the amount equal to 105% of the average of the middle market quotations for the five Business Days immediately preceding the date on which the Shares are purchased; (ii) the price of the last independent trade; and (iii) the highest then current independent bid on the London Stock Exchange.

## The Investment Adviser

The Company's investment adviser is Downing LLP, which is authorised and regulated by the Financial Conduct Authority and specialises in structuring, promoting, managing and administering tax efficient products. Downing LLP took over the business and employees of Downing Corporate Finance Limited on 1 June 2011. Downing Corporate Finance was incorporated in 1986 and, since 1991, carried out the business taken over by Downing LLP. Downing LLP advises VCTs with over £230 million of net assets.

## Directors

**Chris Kay** (Chairman) has over 25 years' experience in the venture capital industry. He spent nine years with 3i Group plc, where he was an investment director, and a further eight years at Elderstreet Investments Limited, where he headed the VCT team. He is chief executive of Chrysalis VCT Management Limited and has previously been chairman and non-executive director of a number of VCTs. He is a Cambridge University graduate and gained an MBA at Manchester Business School.

**Barry Dean** is a chartered accountant and has over 25 years' experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a director of Elderstreet VCT plc and ProVen VCT plc and was formerly a director of Henderson Private Equity Investment Trust plc and an advisory committee member for Parallel Private Equity.



**Stuart Goldsmith** is chairman of Ketton Securities Limited, a firm that advises a range of companies on corporate strategy, mergers and acquisitions, which he founded in 1989. Previously, he was chairman or chief executive of two groups of financial services companies – Fredericks Place Group and the Britannia Group of Investment Companies, which managed £4 billion of funds. He has been a non-executive director of a number of companies.

**Andrew Griffiths** is the managing director of Green Star Media Limited and was formerly the managing editor and publisher of The AIM & OFEX Newsletter, which he founded in 1995. The newsletter won the Best Research award at the AIM Awards in 1997 and 2002. Previously, he was a business correspondent of the Daily Telegraph. He was formerly the chairman of Pennine Downing AIM VCT plc and Pennine Downing AIM VCT 2 plc.

**Helen Sinclair** started her career in investment banking and spent nearly eight years at 3i Group plc, focusing on MBO and growth capital investments. She later co-founded Matrix Private Equity raising a successful technology fund, Matrix Venture Fund VCT plc. She then became managing director of Matrix Private Equity before moving to take on a portfolio of non-executive director roles in 2005. She is currently chairman of British Smaller Companies VCT plc, a non-executive director of The Income & Growth VCT plc, Mobeus Income & Growth 4 VCT plc and OFT2 Limited, a director of Spark Ventures plc and chairs two investment committees for funds managed by Social & Sustainable Capital LLP. She has an MA from Cambridge University and an MBA from INSEAD Business School.

## Charges

### Initial costs

The initial costs to Investors are made up of the Promoter's Fee plus Initial Adviser Charges (where applicable). Downing will charge a Promoter's Fee of 4.0% of the monies subscribed where it is required to pay commission to an intermediary (2.0% where no commission is payable). Out of its Promoter's Fee, Downing will be responsible for paying all of the costs of the Offer (excluding trail commission). Adviser Charges are the fees agreed between intermediaries and Investors for advice and related services. Further information is set out in Part VII on page 21.

### Annual fees

Downing receives annual investment advisory fees of 1.8% of the Net Assets.

Downing also provides secretarial and administration services to the Company for an annual fee made up of (i) a basic fee of £40,000 (plus RPI adjustment) plus (ii) a fee of 0.125% of Net Assets in excess of £10 million.

The Annual Running Costs of the Company are capped at 2.75% (including irrecoverable VAT) of Net Assets and any excess will be paid by Downing, or refunded by way of a reduction in its fees. Annual Running Costs include, *inter alia*, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders and investment advisory fees.

Downing will receive no carried interest or other performance-related fees.

### Costs payable by investee companies

Downing will receive arrangement fees (capped at 2% of the sums invested by the Company, with any excess paid to the Company) and monitoring fees (capped at £10,000 per annum in respect of each of the Company's investments) from investee companies. Costs incurred on abortive investment proposals will be the responsibility of Downing.

## Other Information

### Taxation and HM Revenue & Customs approval

The Directors intend to conduct the affairs of the Company so it continues to satisfy the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted the Company provisional approval under the ITA. The Company intends to continue complying with the ITA and has retained Robertson Hare LLP to advise it on VCT taxation matters.

### The Offer and minimum and maximum subscription

Assuming the Offer is fully subscribed, ignoring the over-allotment facility, maximum net proceeds of approximately £10 million will be raised under the Offer. If the Offer is over-subscribed, it may be increased at the discretion of the Board to no more than £20 million. This facility may be utilised whilst the Offer remains open. In the event that applications are received in excess of the prescribed maximum of £10 million, the Directors and the Sponsor reserve the right to use their absolute discretion in the allocation of successful applications. Applicants are encouraged to submit their Application Form early in order to be confident that their applications will be successful.

The minimum investment per Applicant is £5,000 (or such lower amount at the Board's discretion). The maximum investment, on which tax reliefs in VCTs are available, is £200,000 per Applicant in each of the 2014/15 and 2015/16 tax years. Spouses can each invest up to £200,000 in each tax year. The subscription list for the Offer will open at 9.00 a.m. on 12 December 2014 and may close at any time thereafter, but in any event, not later than 3.00 p.m. on 2 April 2015 in respect of the 2014/15 Offer and 3.00 p.m. on 30 April 2015 in respect of the 2015/16 Offer, unless fully subscribed earlier or previously extended by the Directors (but to no later than 30 November 2015). The Offer is not underwritten and there is no minimum subscription.

Shares will be allotted and issued in respect of valid applications on 2 April 2015, 30 April 2015 and on any other dates on which the Directors decide.

Application will be made to the UK Listing Authority on behalf of the Company for the Admission of all of the Offer Shares. The Offer Shares will be issued in registered form and be transferable in both certificated and uncertificated form and will rank for all dividends and other distributions declared, paid or made by the Company in respect of the Offer Shares thereafter. It is anticipated that dealings in the Offer Shares will commence within 20 Business Days of allotment. Dealings may not begin before notification of allotments is made.

Settlement of transactions in the Offer Shares may take place within the CREST system if Shareholders wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Share certificates (where applicable) and certificates to enable a claim for income tax relief to be made in respect of Offer Shares will be posted to Shareholders within 30 days of each allotment. No notification will be made to successful applicants prior to dispatch of definitive share certificates.

Prior to dispatch of definitive share certificates (where applicable), transfers (if any) will be certified against the register. No temporary documents of title will be issued.

The result of the Offer will be announced through a regulatory information service provider authorised by the FCA.

### Availability of the Prospectus

Copies of the Prospectus relating to the Offer and any related supplementary prospectus published by the Company are available for download at the National Storage Mechanism ([www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)) and may be obtained, free of charge, from the Company's registered office, where they are also on display, and from Downing LLP.

Downing LLP  
Ergon House, Horseferry Road  
London SW1P 2AL

**telephone:** 020 7416 7780  
**download:** [www.downing.co.uk](http://www.downing.co.uk)  
**email:** [vct@downing.co.uk](mailto:vct@downing.co.uk)

### Financial calendar

Financial year end	31 March
Final results announcement	June
Annual general meeting	July/August
Bi-annual dividends paid	February and August
Half-yearly results announcement	November

## Forward-Looking Statements

You should not place undue reliance on forward-looking statements. This Securities Note includes statements that are (or may be deemed to be) "forward-looking statements", which can be identified by the use of forward-looking terminology including the terms "believes", "continues", "expects", "intends", "may", "will", "would", "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this Securities Note or based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future. Any such statements do not, nor are intended to qualify the Company's working capital statement.

The information contained in this document will be updated if required by the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, as appropriate.

## Part II – Investment Portfolio of the Company

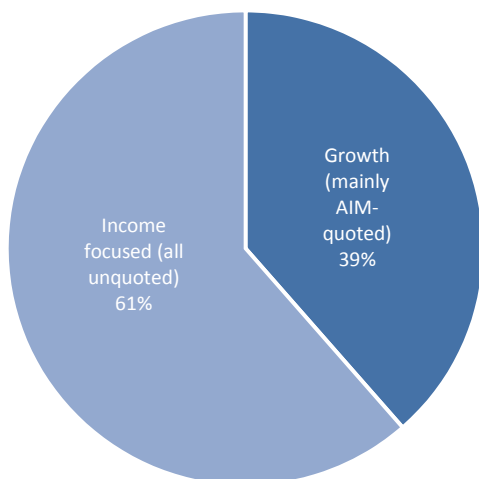
The following table of unaudited information is a summary of the main investments of the Company as at the date of this document. Information has been sourced from the Company's unaudited management accounts prepared to 30 November 2014.

Investment Portfolio		
	Valuation £'000	% of net assets by value
<b>Venture capital investments</b>		
Blue Cedars Holdings Limited	3,980	5.5%
Tracsis plc*	3,713	5.1%
Accumuli plc*	3,016	4.1%
Baron House Developments LLP	2,695	3.7%
Cadbury House Holdings Limited	2,457	3.4%
Vulcan Renewables Limited	2,415	3.3%
Inland Homes plc*	2,248	3.1%
Mosaic Spa and Health Club Limited	2,214	3.0%
Ludorum plc*	1,864	2.6%
Science in Sport plc*	1,837	2.5%
Universe Group plc*	1,830	2.5%
Leytonstone Pub Limited	1,771	2.4%
UK Solar (Hartwell) LLP	1,600	2.2%
Anpario Group plc*	1,471	2.0%
Plastics Capital plc*	1,466	2.0%
Kidspace Adventure Holdings Limited	1,362	1.9%
Residential PV Trading Limited	1,270	1.7%
Sprue Aegis plc *	1,232	1.7%
Future Biogas (Reepham Rd) Limited	1,123	1.5%
Aminghurst Limited	1,106	1.5%
	40,670	55.7%
<b>Other venture capital investments (76 companies)</b>	27,112	37.2%
<b>Total investments</b>	<b>67,782</b>	<b>92.9%</b>
<b>Cash at bank and in hand</b>	<b>5,235</b>	<b>7.2%</b>
<b>Other net current assets</b>	<b>(47)</b>	<b>(0.1%)</b>
<b>Net assets</b>	<b>72,970</b>	<b>100.0%</b>

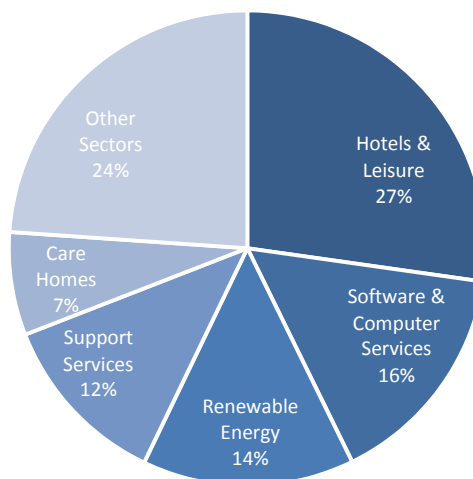
\* Quoted on AIM.  
All other investments unquoted.

### Analysis of Investment Portfolio (by value)

#### By category



#### By sector



## Top 20 investments (by value)

### 1. Blue Cedars Holdings Limited

Following a reorganisation in October 2014, Blue Cedars Holdings Limited is now the holding company for a group of a four special needs care homes in Surrey and Hampshire, operating under the trading name Downing Care Homes.

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/6/2013	Equity shares	2,058	50.0%
Turnover	£536,000	Loan stock	1,922	
Profit/(loss) before tax	(£121,000)	Convertible loan stock	-	
Net assets/(liabilities)	(£246,000)		<u>3,980</u>	

### 2. Tracsis plc

Tracsis is an AIM-quoted developer, supplier and aggregator of resource optimisation, data capture and reporting technologies to the transport industry. Tracsis develops and supplies a wide range of software, hardware and services that allows transport operators and infrastructure owners to gain control over all aspects of operations planning and delivery.

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/07/2014	Equity shares	3,713	4.9%
Turnover	£10.8m	Loan stock	-	
Profit/(loss) before tax	£2.3m	Convertible loan stock	-	
Net assets/(liabilities)	£13.2m		<u>3,713</u>	

### 3. Accumuli plc

Accumuli is an AIM-quoted, UK based advanced security solutions provider, delivering multi layered security services that protect customers' networks and their users from targeted assaults on resources and data.

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/03/2014	Equity shares	3,016	10.4%
Turnover	£16.6m	Loan stock	-	
Profit/(loss) before tax	£0.9m	Convertible loan stock	-	
Net assets/(liabilities)	£15.1m		<u>3,016</u>	

### 4. Baron House Developments LLP

Baron House Developments has purchased a building in Newcastle with a view to converting most of the building into a hotel. The investment is a non-qualifying loan secured by the first charge over the building. The development is ongoing and on schedule.

			Valuation £'000	Percentage of equity held
Audited accounts date:	None published yet	Equity shares	-	0.0%
Turnover	n/a	Loan stock	2,695	
Profit/(loss) before tax	n/a	Convertible loan stock	-	
Net assets/(liabilities)	n/a		<u>2,695</u>	

### 5. Cadbury House Holdings Limited

Cadbury House Holdings Limited owns and operates a health club, restaurant and conference centre at Cadbury House, near Bristol which trades as The DoubleTree by Hilton, Bristol. The restaurant trades as a Marco Pierre-White Steakhouse Bar and Grill.

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/03/2013	Equity shares	285	1.9%
Turnover	£7.7m	Loan stock	106	
Profit/(loss) before tax	£0.1m	Convertible loan stock	2,066	
Net assets/(liabilities)	£6.3m		<u>2,457</u>	

#### 6. Vulcan Renewables Limited

*Vulcan Renewables has developed and operates a 2MW maize fed biogas plant near Doncaster that will generate gas for injection into the National Grid. The investment will benefit from the receipt of FITs from the production of energy, and RHIs (Renewable Heat Incentive scheme) from gas production.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/11/2013	Equity shares	1,725	17.7%
Turnover	Not published	Loan stock	690	
Profit/(loss) before tax	Not published	Convertible loan stock	-	
Net assets/(liabilities)	£3.2m		<u>2,415</u>	

#### 7. Inland Homes plc

*Inland Homes PLC is an AIM-quoted brownfield regeneration specialist.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/06/2014	Equity shares	2,248	2.4%
Turnover	£39.8m	Loan stock	-	
Profit/(loss) before tax	£8.6m	Convertible loan stock	-	
Net assets/(liabilities)	£64.0m		<u>2,248</u>	

#### 8. Mosaic Spa and Health Clubs Limited

*Mosaic Spa and Health Clubs Limited owns a health and tennis club and operates a spa and health club management company which trades under the name of Fitness Express. The company currently has approximately 30 management contracts to operate gyms and spas for hotels, universities and corporate clients.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/2013	Equity shares	37	23.2%
Turnover	£7.1m	Loan stock	2,177	
Profit/(loss) before tax	(£0.5m)	Convertible loan stock	-	
Net assets/(liabilities)	£1.9m		<u>2,214</u>	

#### 9. Ludorum plc

*Ludorum is dedicated to developing, acquiring and marketing children's intellectual entertainment properties which are appropriate for both the new interactive distribution channels as well as classic linear TV. The company, which is AIM-quoted, owns Chuggington, the award winning under 5s' train animation character.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/03/2014	Equity shares	364	9.2%
Turnover	£4.9m	Loan stock	1,500	
Profit/(loss) before tax	£0.1m	Convertible loan stock	-	
Net assets/(liabilities)	(£12.0m)		<u>1,864</u>	

#### 10. Science in Sport plc

*Science in Sport plc is a leading sports nutrition company that develops, manufactures and markets sports nutrition products for professional athletes and sports enthusiasts. The Company floated on AIM in August 2013.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/03/2014	Equity shares	1,837	15.5%
Turnover	£6.8m	Loan stock	-	
Profit/(loss) before tax	(£1.2m)	Convertible loan stock	-	
Net assets/(liabilities)	£2.5m		<u>1,837</u>	



**11. Universe Group plc**

*Universe Group is an AIM-quoted business which operates through its main trading subsidiary HTEC Limited, a specialist in payment, loyalty and forecourt technology.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/2013	Equity shares	1,630	11.7%
Turnover	£15.9m	Loan stock	200	
Profit/(loss) before tax	£1.3m	Convertible loan stock	-	
Net assets/(liabilities)	£16.5m		<u>1,830</u>	

**12. Leytonstone Pub Limited**

*Leytonstone Pub Limited owns a 12,000 sq. ft. profitable freehold pub called The Red Lion, located in Leytonstone, London.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/2013	Equity shares	1,071	50.0%
Turnover	Not published	Loan stock	700	
Profit/(loss) before tax	Not published	Convertible loan stock	-	
Net assets/(liabilities)	£0.4m		<u>1,771</u>	

**12. UK Solar (Hartwell) LLP**

*A short-term secured loan to provide debt funding for the construction of a substantial ground mounted solar farm in Northamptonshire.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	None published yet	Equity shares	-	-
Turnover	n/a	Loan stock	1,600	
Profit/(loss) before tax	n/a	Convertible loan stock	-	
Net assets/(liabilities)	n/a		<u>1,600</u>	

**14. Anpario Group plc**

*Anpario plc is an AIM-quoted manufacturer and marketer of high performance natural feed additives for global agricultural and aquaculture markets.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/2013	Equity shares	1,471	3.4%
Turnover	£26.3m	Loan stock	-	
Profit/(loss) before tax	£2.6m	Convertible loan stock	-	
Net assets/(liabilities)	£26.1m		<u>1,471</u>	

**15. Plastics Capital plc**

*Plastics Capital is an AIM-quoted specialist plastics products manufacturer focused on proprietary products for niche markets.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/03/2014	Equity shares	1,466	4.1%
Turnover	£32.5m	Loan stock	-	
Profit/(loss) before tax	£1.0m	Convertible loan stock	-	
Net assets/(liabilities)	£23.1m		<u>1,466</u>	

**16. Kidspace Adventures Holdings Limited**

*Kidspace Adventures Holdings Limited is the holding company of Kidspace Adventures Limited which owns two well established and profitable indoor children's play centres in Croydon and Romford. The company has developed an adventure farm park called Hobbledown, located in Epsom, Surrey, which opened in July 2012.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/01/2014	Equity shares	564	2.3%
Turnover	£5.5m	Loan stock	798	
Profit/(loss) before tax	£0.1m	Convertible loan stock	-	
Net assets/(liabilities)	£2.9m		<u>1,362</u>	

**17. Residential PV Trading Limited**

*Residential PV Trading Limited owns solar panels on the rooftops of over 260 domestic properties in the south of the UK. The households benefit from free electricity whilst Residential PV receive Feed - in Tariffs and payments for the surplus electricity produced and exported to the National Grid.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/09/2013	Equity shares	570	25.0%
Turnover	Not published	Loan stock	700	
Profit/(loss) before tax	Not published	Convertible loan stock	-	
Net assets/(liabilities)	£0.5m		<u>1,270</u>	

**18. Sprue Aegis plc**

*Sprue Aegis plc is an AIM-quoted business selling smoke detectors and related safety products. The company's brands include FireAngel which is now a leading name in battery-powered smoke alarms.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/2013	Equity shares	1,232	0.8%
Turnover	£48.4m	Loan stock	-	
Profit/(loss) before tax	£4.9m	Convertible loan stock	-	
Net assets/(liabilities)	£14.6m		<u>1,232</u>	

**19. Future Biogas (Reepham Rd) Limited**

*Future Biogas (Reepham Road) Limited has developed an anaerobic digestion plant in Norfolk, which runs mainly on maize. The plant produces electricity which it exports to the national grid and receives Feed-in Tariffs.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	30/11/2013	Equity shares	427	12.6%
Turnover	Not published	Loan stock	696	
Profit/(loss) before tax	Not published	Convertible loan stock	-	
Net assets/(liabilities)	£0.5m		<u>1,123</u>	

**20. Aminghurst Limited**

*Aminghurst is a property development company which owns "Gara Rock" near Salcombe, South Devon. The company is completing the development of a holiday apartment complex.*

			Valuation £'000	Percentage of equity held
Audited accounts date:	31/12/2013	Equity shares	-	0.0%
Turnover	Not published	Loan stock	1,106	
Profit/(loss) before tax	Not published	Convertible loan stock	-	
Net assets/(liabilities)	(£5.8m)		<u>1,106</u>	

## Part III – Taxation Considerations for Investors

### VCTs: Summary of the applicable legislation in respect of Investors

#### 1. Taxation of a VCT

VCTs are exempt from corporation tax on chargeable gains. There is no restriction on the distribution of realised capital gains by a VCT, subject to the requirements of company law. The Company will be subject to corporation tax on its income (excluding dividends received from UK companies) after deduction of attributable expenses.

#### 2. Tax reliefs for individual investors

Individuals who subscribe for Offer Shares must be aged 18 or over to qualify for the tax reliefs outlined below.

##### *Relief from income tax*

An investor subscribing up to £200,000 in the 2014/15 and/or 2015/16 tax years for eligible shares in a VCT will be entitled to claim income tax relief, at the rate of 30%, although this relief will be withdrawn if either the shares are sold within five years or the investor takes out a loan which would not have been made, or would not have been made on the same terms, save for the acquisition of such shares. If an Investor has sold, or if they sell, any shares in Downing ONE VCT within six months either side of the subscription for the Offer shares, then for the purposes of calculating income tax relief on the Offer shares the subscribed amount must be reduced by the amount received from the sale. Relief is also restricted to the amount which reduces the investor's income tax liability to nil. However, tax credits on dividends are notional and cannot be repaid and, therefore, investors should take this into account when calculating the value of the income tax relief.

##### *Dividend relief*

An investor who subscribes for or acquires eligible shares in a VCT (up to a maximum of £200,000 in each of the 2014/15 and 2015/16 tax years) will not be liable for UK income tax on dividends paid by the VCT. The income received by the VCT will usually constitute either interest (on which the VCT may be subject to tax) or a dividend from a UK company (on which the VCT would not be subject to tax). The VCT's income, reduced by the payment of tax (if applicable), can then be distributed tax-free to investors who benefit from this dividend relief. There is no withholding tax on dividends paid by a UK company and, consequently, the Company does not assume responsibility for the withholding of tax at source. Dividends carry a tax credit at the rate of one-ninth of the net dividend which is not repayable and which cannot be utilised in any other way.

##### *Capital gains tax relief*

A disposal by an individual investor of his/her shares in a VCT will neither give rise to a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. This relief is also limited to disposals of shares acquired within the £200,000 limit described above.

##### *Loss of tax reliefs*

- (i) If a company which has been granted approval or provisional approval as a VCT subsequently fails to comply with the conditions for approval, VCT status may be withdrawn or treated as never having been given. The exemptions from corporation tax on capital gains will not apply to any gain realised after VCT status is lost (and on any gain realised by the VCT if approval is deemed never to have been given).
- (ii) For investors, the withdrawal of VCT status may (depending upon the timing of such withdrawal) result in:
  - repayment of the 30% income tax relief on subscription for new VCT shares;
  - income tax becoming payable on subsequent payments of dividends by the company; and
  - a liability to tax on capital gains being suffered in the normal way on the disposal of shares in the company, except that any part of the gain attributable to the period for which the VCT was approved would be exempt.
- (iii) The consequences for investors in a company which never obtains full unconditional approval as a VCT are as follows:
  - repayment of the 30% income tax relief on subscriptions for new VCT shares and interest on overdue tax may arise;

- income tax becoming payable on all payments of dividends by the company; and
- any gain arising on a disposal of the shares would be liable to capital gains tax and losses on the shares would be allowable losses for capital gains tax purposes.

The Offer Shares are eligible VCT shares for the purposes of this section.

#### 3. Consequences of an investor dying or a transfer of shares between spouses

##### (i) *Initial income tax*

If an investor dies at any time after making an investment in a VCT, the transfer of shares on death is not treated as a disposal and, therefore, the initial income tax relief is not withdrawn. However, the shares will become part of the deceased's estate for inheritance tax purposes.

##### (ii) *Tax implications for the beneficiary*

Provided a number of conditions are met, the beneficiary of any VCT shares will be entitled to tax-free dividends and will not pay capital gains tax on any disposal, but will not be entitled to any initial income tax relief.

##### (iii) *Transfer of shares between spouses*

Transfers of shares in a VCT between spouses is not deemed to be a disposal and, therefore, all tax reliefs will be retained.

#### 4. General

##### (i) *Investors who are not resident in the UK*

Non-resident investors, or investors who may become non-resident, should seek their own professional advice as to the consequences of making an investment in a VCT, because they may be subject to tax in other jurisdictions.

##### (ii) *Stamp duty and stamp duty reserve tax*

No stamp duty or (unless shares in a VCT are issued to a nominee for a clearing system or a provider of depository receipts) stamp duty reserve tax will be payable on the issue of VCT shares. The transfer on the sale of shares would normally be subject to ad valorem stamp duty or (if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax generally, in each case at the rate of 50p for every £100 or part of £100 of the consideration paid where the total consideration exceeds £1,000 or if it forms part of a series of transactions where the total consideration exceeds £1,000. Such duties would be payable by a person who purchases such shares from the original subscriber.

##### (iii) *Purchases in the market after listing*

Any subsequent purchaser of existing VCT shares, as opposed to a subscriber for new VCT shares, will not qualify for income tax relief on investment but may benefit from dividend relief and from capital gains tax relief on the disposal of his/her VCT shares.

##### (iv) *The VCT Regulations 2004*

Under the VCT Regulations, monies raised by any further issue of shares by an existing VCT are subject to a grace period of three years before they must be applied in making investments which meet the VCT qualifying thresholds. However, to the extent any of the money raised (save for an insignificant amount in the context of the whole issued ordinary share capital of the VCT) is used by the VCT to purchase its own shares then this grace period shall not apply.

**The above is only a summary of the tax position of individual investors in VCTs, based on the Company's understanding of current law and practice. Investors are recommended to consult a professional adviser as to the taxation consequences of investing in a VCT. Tax reliefs referred to in this document are UK tax reliefs and are dependent on the Company maintaining its VCT qualifying status.**

## Part IV – Definitions

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<b>Admission</b>	date on which the Offer Shares allotted pursuant to the Offer are listed on the Official List of the UKLA and admitted to trading on the London Stock Exchange's main market for listed securities
<b>Adviser Charge</b>	fee, payable to an Intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in Offer Shares, and detailed on the Application Form
<b>AIM</b>	a sub market of the London Stock Exchange established in 1995 to provide a market for small, growing companies with greater regulatory flexibility than applies to the main market
<b>Annual Running Costs</b>	annual running costs incurred by the Company in the ordinary course of its business (including irrecoverable VAT)
<b>Applicant</b>	person who applies for Offer Shares under the Offer through means of completing an Application Form
<b>Application Form(s)</b>	form of application for Offer Shares set out at the end of this document
<b>Articles</b>	articles of association of the Company as at the date of this document
<b>Board or Directors</b>	board of directors of the Company
<b>Business Days</b>	any day (other than a Saturday or Sunday) on which clearing banks in London are open for normal banking business in sterling
<b>CA 2006</b>	Companies Act 2006 (as amended)
<b>Circular</b>	the circular sent to Shareholders dated 12 December 2014 convening the General Meeting
<b>Closing Date</b>	3.00 p.m. on 30 April 2015 unless extended at the discretion of the Directors but no later than 30 November 2015
<b>Close Period</b>	as defined in paragraph 1(a) of the Model Code
<b>Company or Downing ONE</b>	Downing ONE VCT plc (registered number 03150868)
<b>CREST</b>	relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of Shares in uncertificated form which is administered by Euroclear UK & Ireland Limited (registered number 02878738)
<b>Downing or the Investment Adviser</b>	Downing LLP, the investment adviser and administration manager of the Company and the promoter of the Offer
<b>Downing VCT</b>	VCT managed or advised by Downing
<b>Execution-Only Transaction</b>	transaction which is executed by an FCA authorised firm upon the specific instructions of a client where the firm does not give advice relating to the merits of the transaction or make a personal recommendation (and 'Execution-Only Investor' shall mean an Investor who subscribes for Offer Shares in such a manner)
<b>FCA</b>	Financial Conduct Authority
<b>FITs</b>	Feed-in Tariffs
<b>FSMA</b>	Financial Services and Markets Act 2000, as amended
<b>General Meeting</b>	meeting of the members of the Company to be held on 8 January 2015, convened in accordance with the notice set out in the Circular.
<b>IRR</b>	internal rate of return, which, when applied to the relevant cash flows, produces a net present value of zero (expressed as a percentage)
<b>ITA</b>	Income Tax Act 2007, as amended from time to time.
<b>Initial Adviser Charge</b>	A one-off Adviser Charge to be paid at the time of or shortly after the investment being made
<b>Intermediary</b>	financial intermediary or adviser, authorised under FSMA, who signs the Application Form and whose details are set out in Box 8 on the Application Form
<b>Investor</b>	individual who subscribes for Offer Shares pursuant to the Offer

<b>Listed</b>	admitted to the premium segment of the Official List and to trading on the London Stock Exchange
<b>Listing Rules</b>	listing rules of the UKLA
<b>London Stock Exchange or LSE</b>	London Stock Exchange plc
<b>MBO</b>	Management Buyout
<b>ML Regulations</b>	Money Laundering Regulations 2007, as amended
<b>Net Assets</b>	gross assets less all liabilities (excluding contingent liabilities) of the Company calculated in accordance with the Company's normal accounting policies in force at the date of circulation
<b>NAV or Net Asset Value</b>	net asset value per Share
<b>Offer</b>	offer for subscription to raise in aggregate up to £10 million (subject to the Directors' discretion to increase the maximum size of the Offer by an additional £10 million) by issues of Ordinary Shares by the Company pursuant to the Prospectus
<b>Offer Price</b>	Latest published NAV per Offer Share adjusted for any dividends declared and ex-dividend but not yet paid, as appropriate
<b>Offer Shares</b>	those Ordinary Shares being made available for subscription pursuant to the Offer
<b>Official List</b>	official list of the UK Listing Authority maintained in accordance with section 74(1) FSMA
<b>Ongoing Adviser Charge</b>	Adviser Charge to be paid annually for each year that the investment is held
<b>Ordinary Shares or Shares</b>	ordinary shares of one penny each in the capital of the Company (ISIN: GB00BFRSVQ41)
<b>Pricing Formula</b>	mechanism by which the pricing of the Offer may be adjusted according to the latest published NAV
<b>Promoter</b>	Downing LLP, the promoter of the Offer
<b>Promoter's Fee</b>	fee payable to the Promoter under the Offer set out on page 6 of this document
<b>Prospectus</b>	together, this Securities Note, the Registration Document and the Summary
<b>Prospectus Rules</b>	Prospectus Rules of the UKLA
<b>Qualifying Company</b>	unquoted (including an AIM-quoted) company which satisfies the requirements of Part 4 of Chapter 6 of the ITA
<b>Qualifying Investments</b>	shares in, or securities of, a Qualifying Company held by a venture capital trust which meets the requirements described in Parts 3 and 4 of Chapter 6 of the ITA
<b>RPI</b>	inflation measured by the Retail Price Index
<b>Receiving Agent</b>	Downing
<b>Registrar</b>	Capita Asset Services
<b>Registration Document</b>	registration document dated 12 December 2014
<b>Retail Client Investor</b>	Investors who apply for Offer Shares through their Intermediary where the Intermediary has classified the Investor as a retail client for the purposes of the FCA rules
<b>Shareholders</b>	holders of Shares
<b>Securities Note</b>	this document
<b>Sponsor or SPARK</b>	SPARK Advisory Partners Limited, which is authorised and regulated by the FCA as a UKLA regulated sponsor
<b>Summary</b>	summary issued by the Company dated 12 December 2014
<b>UK Listing Authority or UKLA</b>	UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>VCT Regulations 2004</b>	Venture Capital Trust (Winding Up and Mergers) (Tax) Regulations SI 2004 No. 2199
<b>VCT Rules</b>	legislation, rules and HM Revenue and Customs interpretation and practice regulating the establishment and operation of venture capital trusts
<b>Venture Capital Trust or VCT</b>	venture capital trust as defined in section 259 of the ITA



## Part V – Additional Information

### The Company

#### 1.1 Incorporation

The Company was incorporated as AIM Distribution Trust plc in England and Wales as a public limited company on 19 January 1996 with registered number 03150868. On 13 November 2013, the Company changed its name to Downing ONE VCT plc.

The principle legislation under which the Company operates is the CA 2006 and the ITA (together with statutory instruments created pursuant thereto).

#### 1.2 Borrowing policy

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards the subsidiaries, as by such exercise they can secure) that the aggregate amount at any one time owing or deemed to be owing by the Company and/or any subsidiaries, determined as hereinafter mentioned, in respect of moneys borrowed by it or them or any of them shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 10% of the aggregate amount paid up on the issued share capital of the Company and the amounts standing to the credit of the consolidated reserves of the Company as shown in the latest audited Balance Sheet, adjusted where appropriate to take account of movements since that date.

#### 1.3 Cancellation of the share premium account

The Directors are aware of the possibility that the Company's Shares may trade at a discount to their net asset value at some point. The Directors consider that the Company should have the ability to purchase its Shares in the market (such Shares to be automatically cancelled) with the aim of reducing any discount and increasing the net asset value per Share of the remaining Shares. In the view of the Directors, the awareness of Investors that the Company has such a capability may tend to moderate the scale of any discount which may emerge and the action of buying in shares should enable any such discount to be narrowed.

The CA 2006 provides that a public company may only purchase its own shares out of distributable profits or out of the proceeds of a fresh issue of Shares made for the purpose of the purchase. Subject to confirmation from HM Revenue & Customs that such proposals will not adversely affect the Company's VCT status and Court approval, the Company may decide to reduce and/or cancel the share premium account (created on the issue of the Offer Shares) and to transfer the balance of the special reserve, which is established by the cancellation of a previous share premium account, which may be treated as a distributable profit, out of which purchases of Shares can be made, subject to regulations, VCT Rules and company legislation. Distributions will not be made from such a reserve to the extent it is attributable to shares capital raised after 5 April 2014 for a minimum of three years following the end of the accounting period in which the relevant shares are issued.

#### 1.4 Stamp duty and close company status

The Company has been advised that no stamp duty or stamp duty reserve tax will be payable on the issue of the Offer Shares under the Offer. The Company is not a close company for tax purposes.

#### 1.5 Material interests

Downing is paid an annual investment advisory fee of 1.8% of the Net Assets of the Company.

#### 1.6 Investor profile

A typical Investor will be a retail client (not a corporate), who is aged 18 or over and pays UK income tax, who already has a portfolio of non-VCT investments such as unit trusts/OEICs, investment trusts and direct shareholdings in listed companies and has sufficient income and capital so that his/her investment in the Company can be held for over five years. The individual's income tax liability should be more than sufficient to utilise all the initial income tax relief available on the investment. The individual should be willing to invest over the medium to long term and be comfortable with higher risk investments.

As far as the Company is aware, there are no, and as a result of the Offer will be no, major Shareholders holding more than 3% of the Company's Share capital or who intend to subscribe for more than 5% of the available Offer Shares.

#### 1.7 The Offer Shares

Shareholders' authority to create, allot and issue Offer Shares up to an aggregate maximum nominal value of £220,000 will be sought at a general meeting of the Company to be held on 8 January 2015. The Offer will only proceed subject to the passing of the relevant resolutions to be proposed at the General Meeting. All Shareholders will have the same voting rights in respect of the existing share capital of the Company. An existing holder of Ordinary Shares who does not subscribe for Offer Shares pursuant to the Offer would experience no dilution in terms of NAV per share (as the assets of the Company will be increased by the proceeds of the Offer and the upfront costs of the Offer are borne by subscribers). The Offer Shares are ordinary shares of one penny each (ISIN: GB00BFRSVQ41) and are freely transferable.

#### 1.8 Results of the Offer

The results of the Offer will be announced through a regulatory information service provider.

#### 1.9 Consent to use Prospectus

The Company and the Directors consent to the use of the Prospectus by financial intermediaries and accept responsibility for the information contained in the Prospectus in respect of any final placement of Offer Shares by any financial intermediary which was given consent to use this document. The offer period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use this prospectus is given commences on 12 December 2014 and closes on 30 April 2015. Information on the terms and conditions of the Offer by any financial intermediary is to be provided at the time of the Offer by the financial intermediary. Financial intermediaries may use this Prospectus in the UK.

**Any financial intermediary that uses this document must state on its website that it uses this document in accordance with the Company's consent. Financial intermediaries are required to provide the terms and conditions of the Offer to any prospective investor who has expressed an interest in participating in the Offer to such financial intermediary. No financial intermediary will act as principal in relation to the Offer.**

#### 2. Taxation and HM Revenue & Customs approval

The Directors intend to conduct the affairs of the Company so that it continues to satisfy the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted the Company provisional approval as a VCT under Part 6 of the ITA. The Company intends to comply with section 274 of the ITA and has retained Robertson Hare LLP to advise it on VCT taxation matters.

### 3. Working capital and capitalisation and indebtedness statements

#### 3.1 Working capital

In the opinion of the Company, the working capital available to the Company is sufficient for its present requirements, that is, for at least 12 months from the date of this document.

#### 3.2 Statement of capitalisation and indebtedness

The table below shows the capitalisation of the Company as at 30 November 2014, the most recent date in respect of which unaudited financial information of the Company has been published.

	£'000
<b>Total current debt</b>	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
<b>Total non-current debt</b>	
Guaranteed	-
Secured	-
Unguaranteed/secured	-
<b>Shareholders' equity</b>	
Share capital	754
Other reserves	72,035
	<u>72,789</u>

There has been no material change in the capitalisation of the Company, total debt or shareholder equity since 30 November 2014.

The following table shows the Company's net indebtedness as at 30 November 2014, the most recent date in respect of which unaudited financial information of the Company has been published.

	£'000
A Cash	5,235
B Cash equivalent	-
C Trading Securities	-
<b>D Liquidity (A+B+C)</b>	<u>5,235</u>
<b>E Current financial receivables</b>	<u>504</u>
F Current bank debt	-
G Current position of non-current debt	-
H Other current financial debt	-
<b>I Current financial debt (F+G+H)</b>	<u>-</u>
<b>J Net current financial indebtedness (I-E-D)</b>	<u>(5,739)</u>
K Non-current bank loans	-
L Bonds issued	-
M Other non-current loans	-
<b>N Non-current financial indebtedness (K+L+M)</b>	<u>-</u>
<b>O Net financial indebtedness (J+N)</b>	<u>(5,739)</u>

The Company does not have any contingent or indirect indebtedness.

#### 4. Overseas Investors

- No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him/her to subscribe for or purchase Shares unless, in such territory, such offer or invitation could lawfully be made.
- No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All Applicants will be required to warrant that they are not a US person as defined in paragraph 5(x) of Part VI of this document or a resident of Canada.

#### 5. Information sourced from third parties

Where information set out in this document has been sourced from third parties, the source has been identified at the relevant place in the document and the Company confirms that this information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

#### 6. General Information

The Company and its Shareholders are subject to the provisions of the Takeover Code and CA 2006, which require shares to be acquired/transferred in certain circumstances.

As at 11 December 2014, being the latest practicable date prior to the publication of this document, the Company is not aware of any person who, directly or indirectly, has or will have an interest in the capital of the Company or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure and Transparency Rules of the FCA, a holding of 3% or more will be notified to the Company).

12 December 2014

## Part VI - Terms and Conditions of Application

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1. In these Terms and Conditions of Application, the expression "Prospectus" means this document, the Registration Document and the Summary. The expression "Application Form" means the application form for use in accordance with these Terms and Conditions of Application. Save where the content otherwise requires, the terms used in the Application Form bear the same meaning as in the Prospectus.
2. The right is reserved to reject any application or to accept any application in part only. Multiple applications are permitted. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Shares than the number applied for, or if in any other circumstances there is an excess payment in relation to an application, the application monies or the balance of the amount paid or the excess paid on application will be returned without interest by post at the risk of the Applicant. In the meantime application monies will be retained in the Company's bank account.
3. You may pay for your application for Shares by cheque or bankers' draft submitted with the Application Form.
4. The contract created by the acceptance of applications in respect of the first allotment of Offer Shares under the Offer will be conditional on the admission of the Offer Shares (in respect of such first allotment of Shares) being granted not later than 5:00 p.m. on 7 May 2015 and resolutions 1 and 2 being passed at the Company's General Meeting to be held on or about 8 January 2015 or at a subsequent meeting, if adjourned. If the conditions are not met, the Offer will be withdrawn and subscription monies will be returned to Investors within seven days of 7 May 2015, at their own risk, without interest. The Offer is not underwritten.
5. By completing and delivering an Application Form, you:
  - (a) offer to subscribe for the amount specified on your Application Form plus any commission waived for extra shares or any smaller sum for which such application is accepted at the Offer Price, the Prospectus, these Terms and Conditions of Application, the memorandum of association of the Company and its Articles;
  - (b) acknowledge that, if your subscription is accepted, you will be allocated such number of Offer Shares as determined by the Pricing Formula;
  - (c) authorise your financial adviser, or whoever he or she may direct, the Registrar or the Company to send a document of title for, or credit your CREST account in respect of, the number of Offer Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
  - (d) agree that, in consideration of the Company agreeing that it will not prior to the Closing Date offer any Shares to any persons other than by means of the procedures set out or referred to in this Securities Note, your application may not be revoked and that this paragraph constitutes a collateral contract between you and the Company which will become binding upon despatch by post or delivery of your duly completed Application Form to the Company or to your financial adviser;
  - (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive share certificates for the Offer Shares applied for or to enjoy or receive any rights or distributions in respect of such Shares unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Company (such acceptance shall be in its absolute discretion and may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and that at any time prior to unconditional acceptance by the Company of such late payment in respect of such Shares, the Company may (without prejudice to its other rights) treat the agreement to allot such Shares as void and may allot such Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such Shares (other than return of such late payment at your risk and without interest);
  - (f) agree that all cheques and bankers' drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the verification of identity required by the ML Regulations and that such monies will not bear interest;
  - (g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Sponsor) to ensure compliance with the ML Regulations;
  - (h) agree that, in respect of those Shares for which your application has been received and processed and not rejected, acceptance of your application shall be constituted by the Company instructing Downing or the Registrar to enter your name on the share register;
  - (i) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;
  - (j) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations including the risk factors contained therein;
  - (k) confirm that (save for advice received from your intermediary) in making such application you are not relying on any information and representation other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;
  - (l) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
  - (m) irrevocably authorise the Company, the Registrar or Downing or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Offer Shares subscribed by or issued to you into your name and authorise any representatives of the Company, the Registrar or Downing to execute any documents required therefore and to enter your name on the register of members of the Company;

- (n) agree to provide the Company with any information which it may request in connection with your application or to comply with the VCT Regulations or other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the ML Regulations;
  - (o) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Downing or the Sponsor acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
  - (p) confirm that you have read and complied with paragraph 6 below;
  - (q) confirm that you have reviewed the restrictions contained in paragraph 7 below;
  - (r) warrant that you are not under the age of 18 years;
  - (s) warrant that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, you have complied with all such laws and none of the Company, Downing or the Sponsor or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your application;
  - (t) agree that Downing and the Sponsor are acting for the Company in connection with the Offer and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of Offer Shares or concerning the suitability of Offer Shares for you or be responsible to you for the protections afforded to their customers;
  - (u) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
  - (v) warrant that you are not subscribing for the Offer Shares using a loan which would not have been given to you or any associate, or not given to you on such favourable terms, if you had not been proposing to subscribe for the Offer Shares;
  - (w) warrant that the Offer Shares are being acquired by you for bona fide investment purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax. Obtaining tax reliefs given under the applicable VCT legislation is not of itself tax avoidance;
  - (x) warrant that you are not a "US person" as defined in the United States Securities Act of 1933 (as amended) nor a resident of Canada and that you are not applying for any Shares on behalf of or with a view to their offer, sale or delivery, directly or indirectly, to or for the benefit of any US person or resident of Canada; and
  - (y) warrant that the information contained in the Application Form is accurate.
6. No person receiving a copy of the Prospectus, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
  7. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the "USA"). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Adviser will not be registered under the United States Investment Adviser Act of 1940 (as amended). No application will be accepted if it bears an address in the USA.
  8. This application is addressed to the Company and the Sponsor. The rights and remedies of the Company and the Sponsor under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.
  9. The dates and times referred to in these Terms and Conditions of Application may be altered by the Company with the agreement of the Sponsor.
  10. The Company has taken advantage of the provisions of the Companies Act 2006 to allow annual reports and other statutory shareholder communications to be made available in electronic form on its website as the default means of publication. This will have a positive environmental impact and save the Company some costs compared to providing all communications in hard copy form by post. By default, applicants who provide an email address on the application form and do not complete select any alternative notification methods, will receive notification of shareholder communications by email. Investors can elect to receive notifications by post by ticking Box 5A on the application form. Investors can also elect to receive of all shareholder communications in paper form by ticking Box 5C. Should you subsequently wish to change your election, you can do so at any time by contacting the Registrar, Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Notwithstanding any election, the Company may in its sole discretion send any notification or information to Shareholders in paper form.

11. Intermediaries who have not provided personal recommendations or advice to UK retail clients on the Offer Shares and who, acting on behalf of their clients, return valid Application Forms bearing their stamp and FCA number may be entitled to commission on the amount payable in respect of the Offer Shares allocated for each such Application Form at the rates specified in the paragraph headed "Commission" in Part VII of this document. Intermediaries may agree to waive part or all of their initial commission in respect of an application for Shares under the Offer. If this is the case, then the offer charges will be adjusted, in accordance with the Pricing Formula. Intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.
12. The section headed "Notes on Application Form" forms part of these Terms and Conditions of Application.
13. It is a condition of the Offer to ensure compliance with the ML Regulations. Downing is therefore entitled to require, at its absolute discretion, verification of identity from any Applicant including, without limitation, any person who either (i) tenders payment by way of a cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to Downing to be acting on behalf of some other person. Pending the provision of evidence satisfactory to Downing as to the identity of the Applicant and/or any person on whose behalf the Applicant appears to be acting, Downing may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or the Registrar may not enter the Applicant on the register of members or issue any share certificates in respect of such application. If verification of identity is required, this may result in delay in dealing with an application and in rejection of the application. The Company reserves the right, in its absolute discretion, for it or Downing to reject any application in respect of which Downing considers that, having requested verification of identity, it has not received evidence of such identity satisfactory to it by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company reserves the right in its absolute discretion, but shall have no obligation, to terminate any contract of allotment relating to or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) and/or to endeavour to procure other subscribers for the Offer Shares in question (but in each case without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid). The submission of an Application Form will constitute an undertaking by the Applicant to provide promptly to Downing such information as may be specified by it as being required for the purpose of the ML Regulations.
14. The right is also reserved to treat as valid and binding any application not complying fully with these Terms and Conditions of Application or not in all respects complying with the Notes on Application Form. In particular, but without limitation, the Company may accept applications made otherwise than by completion of an Application Form where the Applicant has agreed in some other manner acceptable to the Company to apply in accordance with these Terms and Conditions of Application.
15. The Company and/or Downing may use the information you give for administration, research and/or statistical purposes. Your details may be used by the Company and/or Downing (but will not be sold to third parties) to send you information on other potential investment opportunities (maximum six communications per annum). If you would prefer not to receive such information, please write to Downing.
16. The minimum subscription per Investor is £5,000 subject to the Board's discretion.
17. The application of the subscription proceeds is subject to the absolute discretion of the Directors.



## Part VII – Pricing of the Offers, Adviser Charges and Commission

### Pricing of the Offer

The number of Shares to be issued to each Applicant will be calculated based on the following Pricing Formula (rounded down to the nearest whole Share):

$$\text{Number of Offer Shares} = \left[ \begin{array}{l} \text{Amount subscribed, less:} \\ \text{(i) initial Promoter's Fee}^1 \text{ and} \\ \text{(ii) Initial Adviser Charge (if any)} \end{array} \right] \div \left[ \begin{array}{l} \text{Latest published NAV} \\ \text{per Offer Share}^2 \end{array} \right]$$

<sup>1</sup> less any reduction for the early applications and/or commission waived by Intermediaries (where applicable)

<sup>2</sup> adjusted for any dividends declared and ex-dividend but not yet paid, as appropriate.

**Illustrative examples** (based on a subscription under the Offer of £10,000 and a NAV per Share of [97.3p])

- (i) Promoter's Fee (commission payable) of 4.0% = £400  
Number of Offer Shares =  $(10,000 - 400 - 0) \div 0.945 = \mathbf{10,158}$  Issue price = 98.44p
- (ii) Promoter's Fee (advised) of 2.0% = £200  
Example Initial Adviser Charge = £225  
Number of Offer Shares =  $(10,000 - 200 - 225) \div 0.945 = \mathbf{10,370}$  Issue price = 96.43p
- (iii) Promoter's Fee (advised) of 2.0% = £200  
Example Initial Adviser Charge = £400  
Number of Offer Shares =  $(10,000 - 200 - 400) \div 0.945 = \mathbf{9,947}$  Issue price = 100.53p
- (iv) Promoter's Fee (new advised investment where application received by 6 March 2015) of 1.0% = £100  
Example Initial Adviser Charge = nil (fee being paid directly by client to Intermediary)  
Number of Offer Shares =  $(10,000 - 100 - 0) \div 0.945 = \mathbf{10,476}$  Issue price = 95.46p

\* Applications received and accepted by 28 January 2015 will benefit from a reduction in the Promoter's Fee of 1.5% of the amount subscribed and those received by 6 March 2015 will benefit from a 1.0% reduction.

Applications made directly (not through an intermediary) will attract a Promoter's Fee of 2.0%. It should be noted that the example Adviser Charges set out above have been provided to illustrate the pricing of the Offer and should not be considered as a recommendation as to the appropriate levels of Adviser Charges.

Income tax relief should be available on the total amount subscribed, subject to VCT Rules and personal circumstances, which in each of the above examples would be £3,000 (£10,000 at 30%).

The number of Shares issued under the Offer will be affected by a "blended" issue cost, because Applicants will have a different issue cost attributable to their application for Offer Shares depending upon whether their Application is received directly, through an execution only broker or through an Intermediary providing advice.

The Company's Net Asset Value shall be announced from time to time through a regulatory information service provider.

### Adviser Charges (Initial and Ongoing)

Commission is not permitted to be paid to Intermediaries who provide a personal recommendation to UK retail clients on investments in VCTs after 30 December 2012. Instead of commission being paid by the Company, a fee will usually be agreed between the Intermediary and Investor for the advice and related services ("Adviser Charge"). This fee can either be paid directly by the Investor to the Intermediary or the payment of such fee may be facilitated by Downing ONE VCT plc.

If the payment of an Initial Adviser Charge is to be facilitated by the Company, then the Investor is required to specify the amount of the charge in Box 3 on the Application Form. The Investor will be issued fewer Shares (to the equivalent value of the Initial Adviser Charge) through the Pricing Formula set out above.

Ongoing Adviser Charges to Intermediaries can also be facilitated by the Company by making a deduction from the annual dividend paid to the Investor. In this case, the Investor is required to specify the annual amount of the Ongoing Adviser Charge in the Box 4 on the Application Form. This sum will be deducted from the final dividend payment usually made in August each year and paid to the Intermediary by the Company. This arrangement can be terminated by notice from the Investor at any time.

The Initial and Ongoing Adviser Charge are inclusive of VAT, if applicable.

### Commission

Commission may be payable where there is an Execution-only Transaction and no advice has been provided by the Intermediary to the Investor or where the Intermediary has demonstrated to Downing that the Investor is a professional client of the Intermediary. Commission is payable by Downing out of its Promoter's Fee. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2% of the amount invested by their clients under the Offer. Additionally, provided that the Intermediary continues to act for the Investor and the Investor continues to be the beneficial owner of the Shares, and subject to applicable laws and regulations, the Intermediary will usually be paid an annual trail commission of 0.25% of the Net Asset Value for a maximum of five years following investment. Trail commission will be paid annually in August (commencing August 2016 based on the audited Net Asset Value at the preceding 31 March). Initial commission will be payable by Downing out of its fees. Annual trail commission will be borne by the Company.

# DOWNING ONE VCT PLC

## Application Form

This form is to be used by individuals only. If you are a nominee wishing to apply for shares on behalf of clients, please contact Downing for a special application form.

**Make your cheque or bankers' draft out to "Downing ONE VCT plc"** and return this form as soon as possible to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. The closing date for the 2014/15 Offer will be 3.00 p.m. on 2 April 2015 and, for the 2015/16 Offer will be 3.00 p.m. on 30 April 2015 (unless extended or fully subscribed earlier).

1	Title and name in full			Are you and existing Downing VCT shareholder? Y/N							
	Permanent address										
		Postcode									
	Email address		Telephone number								
	Date of birth					National Insurance No.					

**Investors and their Intermediaries are required to provide an email address if they require the receipt of the Application Form to be acknowledged.**

2	I am applying for Shares as follows:			
	<b>2014/15 tax year</b>	<b>2015/16 tax year</b>	<b>Total (2A + 2B)</b>	
	£	£	£	Min £5,000
	<b>2A</b>	<b>2B</b>	<b>2C</b>	

Or such lesser sum for which this application may be accepted on the Terms and Conditions of Application set out in Part VI of this document. Please send me a certificate(s) confirming my entitlement to VCT tax reliefs.

3	<b>Initial Adviser Charge</b> If you have agreed an Initial Adviser Charge with your Intermediary and request that the Company pays that fee, please insert the fee in this box. Please note that the number of Shares issued to you will be reduced by the amount of the Initial Adviser Charge. This payment is inclusive of VAT, if applicable.	£	Please state as a sum of money

4	<b>Ongoing Adviser Charge</b> If you have agreed an Ongoing Adviser Charge with your Intermediary and request that the Company pays that fee by way of deducting it from your annual dividend, please insert the fee in this box. This charge will normally be deducted from the final dividend usually paid in September each year. This payment is inclusive of VAT, if applicable.	£	Please state as a sum of money

PLEASE NOTE IN ORDER FOR THIS FACILITY TO OPERATE YOU MUST ELECT FOR YOUR DIVIDENDS TO BE PAID DIRECTLY INTO YOUR BANK ACCOUNT BY COMPLETING THE DIVIDEND MANDATE IN PART 7 OF THIS FORM.

5	<b>Shareholder communications (PLEASE TICK ONE BOX ONLY)</b>		
	The Company offers Shareholders the option to receive annual reports and other shareholder communications in electronic form. Please select the option you prefer below.		
	<b>Option A: Notifications by email</b> If you wish to receive notifications by email when accounts and other shareholder communications are available for download from the Company's website, please tick this box. NB. You must supply your email address in Box 1.	<b>Option B: Notification by post</b> If you wish to receive notifications by post when accounts and other shareholder communications are available for download from the Company's website, please tick this box.	<b>Option C: Hard copy by post</b> If you wish to receive hard copies of accounts and other shareholder communications (i.e. in paper form), please tick this box.
	<b>5A</b> <input style="width: 40px; height: 20px;" type="checkbox"/>	<b>5B</b> <input style="width: 40px; height: 20px;" type="checkbox"/>	<b>5C</b> <input style="width: 40px; height: 20px;" type="checkbox"/>

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have had an opportunity to receive the Prospectus dated 12 December 2015 and to read the terms and conditions of application therein; (ii) I will be the beneficial owner of the Shares in Downing ONE VCT plc issued to me pursuant to the Offer; and (iii) to the best of my knowledge and belief, the particulars I have given to Downing ONE VCT plc are correct.

HM Revenue & Customs may inspect this Application Form. It is a serious offence to make a false declaration.

6	Signed by the Investor		Date	/ /

Continued overleaf



7

**DIVIDEND MANDATE**

Dividends may be paid directly into Shareholders' bank or building society accounts. In order to facilitate this, please complete the mandate instruction form below. Please note that if you are an Existing Shareholder this instruction applies to all of your shareholdings in the Company and completing the form below will direct the Company to send all dividend payments due on all your shareholdings in the Company to this bank account. Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid. By completing the details below I am instructing the Company to forward, until further notice, all dividends that may from time to time become due on any Shares now standing, or which may hereafter stand, in my name in the register of members of Downing ONE VCT plc to the bank or building society account listed below.

Name of bank or building society:										
Branch:					Sort code:					
Branch address:										
Name of account holder:					Account number: (all digits and zeros)					
Signed by the Investor										
<b>The Company and Downing LLP do not accept responsibility if any details provided by you are incorrect.</b>										

8

**TO BE COMPLETED BY INTERMEDIARIES ONLY**

Contact name: (for administration)				Email:			
Intermediary name:				Email:			
Firm name:	Hargreaves Lansdown Asset Management						
Address:	One College Square South, Anchor Road, Bristol						
Postcode:	BS1 5HL		Tel:				
FCA No:	115248						
Tick this box if you are permitted to receive commission in respect of this application in compliance with COBS 6.1A of the FCA Handbook.			<input type="checkbox"/>	Reason:			
Tick this box if the Adviser Charges stated in Box 3 and Box 4 have been agreed with your client and complies with COBS 6.1A of the FCA Handbook.							(✓)
<b>Adviser Charge and Commission account details</b> Please provide details of your bank or building society account so that commission or the Adviser Charge (as applicable) can be paid to you via BACS.							
Name of bank or building society:							
Branch:							
Account name:							
Sort code:					Account number: (please quote all digits and zeros)		
Email address for commission statements:							
<b>The Company and Downing LLP do not accept responsibility if any details provided by you are incorrect.</b>							
<b>I confirm that the information shown in Section 8 of this form is complete and accurate and that any Adviser Charges shown in Section 3 and Section 4 of this form has been agreed by the applicant.</b>							
Signed by the Intermediary:				Position:			
Name:				Date:			

## Notes on Application Form

**Before making an application to acquire Offer Shares you are strongly recommended to consult and obtain advice from an appropriate financial intermediary authorised under the Financial Services and Markets Act 2000.** It is essential that you complete all parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or bankers' draft, by post, or deliver it by hand, to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. If you have any questions on how to complete the Application Form please contact Downing LLP on 020 7416 7780 or your financial intermediary.

The following notes should be read in conjunction with the Application Form and the Terms and Conditions of Application.

1

Insert in Box 1 in BLOCK CAPITALS your full name, permanent address, daytime telephone number, date of birth, National Insurance number and, if you have one, your email address. Joint applications are not permitted.

2

Insert (in figures) in Box 2A the total amount you wish to invest under the Offer in respect of the 2014/15 tax year (state nil if appropriate). Insert (in figures) in Box 2B the amount you wish to invest under the Offer in respect of the 2015/16 tax year (state nil appropriate). Insert (in figures) the total of Boxes 2A and 2B in Box 2C. This is the total amount you are subscribing under the Offer. Share subscriptions will be adjusted to reflect any commission waived (by agents) as extra Shares.

**Please note that the minimum investment is £5,000** (or such lower amount at the Board's discretion). The maximum investment, on which tax reliefs on investments in VCTs are available, is £200,000 in each of the 2014/15 and 2015/16 tax years.

Attach your cheque or bankers' draft to the Application Form for the exact amount shown in Box 2C. Your cheque or bankers' draft must be made payable to "**Downing ONE VCT plc**". Your payment must relate solely to this application.

### Money Laundering Regulations 2007 – Important note for applications of £12,000 or more

If the value of the shares applied for is £12,000 or more (or is one of a series of linked applications, the value of which exceeds that amount) payment should be made by means of a cheque drawn on an account in the name of the Applicant. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or bankers' draft, you should write the name, address and date of birth of the Applicant on the back of the cheque or bankers' draft and:

- (a) if a building society cheque or bankers' draft is used, the building society or bank must also endorse on the cheque or draft the name and account number of the person whose account is being debited; or
- (b) if a cheque is drawn by a third party, you must ensure that one item from each of List A and List B (see below) is enclosed with the form.

Alternatively, verification of the Applicant's identity may be provided by means of a "Letter of Introduction" or "Identity Verification Certificate" in the prescribed form from a UK or European Economic Area financial institution (such as a bank or stockbroker) or other regulated person (such as a solicitor, accountant or appropriate financial intermediary) who is required to comply with the ML Regulations. The relevant financial institution or regulated person will be familiar with the requirements and the relevant form.

### For applications of £12,000 or more and subscription by way of a cheque drawn by a third party

(one item from List A AND one item from List B)

#### List A (Verification of Identity)

Current signed passport  
Current UK Driving Licence  
HM Revenue and Customs Tax Notification  
Firearms Certificate

#### List B (Verification of Address)

Recent\* utility bill (but not a mobile telephone bill)  
Recent\* local authority tax bill  
Recent\* bank or building society statement  
Recent\* mortgage statement from a recognised lender

Please send original (not passport or driving licence) or certified copies of the documents. Certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. financial adviser or an FCA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub-postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy. \*Recent means dated within the last three months.

**No money laundering verification is required to be enclosed if the application is for less than £12,000 or if payment is by means of a cheque drawn on an account in the name of the Applicant** (provided that (a) the cheque includes details of the Applicant's bank account or building society account (as applicable) and (b) the cheque is drawn on a UK or European Union authorised bank or credit institution). Please note, however, that Downing may, in its absolute discretion, require Money Laundering verification and that Money Laundering verification may be required by Intermediaries.

3

If you have agreed an Initial Adviser Charge for personal advice provided in respect of this investment and would like the Company to facilitate the payment of such fee, please set out the amount in pounds (e.g. "£500") in Box 3. The Initial Adviser Charge is inclusive of VAT, if applicable.

4

If you have agreed an Ongoing Adviser Charge for ongoing personal advice provided in respect of this investment and would like the Company to facilitate the payment of such fee, please set out the annual amount in pounds (e.g. "£50") in Box 4. Please note, that you must have your dividends paid directly into your bank account by completing Box 7 for this facility to operate. The Ongoing Adviser Charge is inclusive of VAT, if applicable.

5

The Company now offers Shareholders the opportunity of receiving annual reports and other shareholder communications in electronic form. Please select the method by which you would like to receive communications by ticking one of the boxes 5A – 5C. If you do not tick any box and provide an email address in Box 1, Option A will be applied to your shareholding by default. If you do not provide an email address, Option B will be applied by default.

6

**Read the declaration and sign and date the Application Form in Box 6.** If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct.

7

If you wish to have dividends paid into your nominated bank or building society account, please complete the mandate instruction form. Please note that this is compulsory if you wish the Company to facilitate the payment of an Ongoing Adviser Charge.

8

To be completed by Intermediaries only. Intermediaries who are entitled to receive commission or have agreed an Adviser Charge with their client should stamp and complete the agent's box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment if the Company is not, at its sole discretion, satisfied that the agent is so authorised, or that payment is or may be in breach of any applicable rules or regulations. In order for commission or an Adviser Charge to be paid by BACS, please complete the relevant boxes.

**Investors and their Intermediaries should provide an email address if they require the receipt of the Application Form to be acknowledged.**



Ergon House  
Horseferry Road  
London SW1P 2AL

020 7416 7780  
[contact@downing.co.uk](mailto:contact@downing.co.uk)  
[www.downing.co.uk](http://www.downing.co.uk)



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